

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-04 COME-00 TRSE-00 OMB-01 SAJ-01

OTPE-00 ACDA-05 OC-01 CCO-00 CIAE-00 PM-03 H-01

INR-05 L-01 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-20 USIA-06 DRC-01 /072 W

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R 111925Z OCT 74

FM USMISSION NATO

TO SECSTATE WASHDC 8143

SECDEF WASHDC

INFO AMEMBASSY OTTAWA

C O N F I D E N T I A L USNATO 5650

E.O. 11652: GDS 80

TAGS: MARR NATO

SUBJECT: NICS PRODUCTION SHARING

REF: STATE 213061.

SUMMARY. AFTER SEVERAL COUNTRIES OBJECTED TO SYG PROPOSAL TO RELEASE TARE CALL FOR BIDS WITH 20 PCT AND 35 PCT SHARING REQUIREMENTS (PO/74/121), INFRASTRUCTURE COMMITTEE ON OCT 8 DISCUSSED BUT DID NOT AGREE TO POSSIBLE RELEASE WITHOUT PERCENTAGE FIGURES. COMMITTEE WILL DISCUSS SUGGESTED ALTERNATIVES 15 OCT 74. CHECK ON MOD OTTAWA REACTION TO SECDEF LETTER MIGHT BE USEFUL. END SUMMARY.

1. SYG PROPOSED IN PO/74/121 (UNDER SLIENCE PROCEDURE) TO RELEASE TARE INVITATION FOR BID (IFB) WITH REQUIREMENT FOR RESPONSES BASED ON BOTH 20 PCT AND 35 PCT SHARED PRODUCTION. US, CANADA, AND FRG FILED OBJECTIONS WITH DIFFERENT MOTIVES BUT CITING ESSENTIALLY SAME REASONS, I.E., COMPLEXITY AND BURDEN ON CONTRACTORS. US AND FRG (LATER JOINED BY ITALIANS) SUGGESTED AN EARLY RELEASE OF SPECIFICATIONS TO CONTRACTORS WITHOUT PERCENTAGE REQUIREMENTS TO ALLOW THEM TO PROCEED WITH PREPARATION OF BASIC RESPONSES PENDING FINAL DECISION ON SHARING.  
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2. INFORMAL INFRASTRUCTURE COMMITTEE DISCUSSION OF THIS APPROACH ON 8 OCT 74 PRODUCED RENEWED ATTEMPTS BY OTHER COUNTRIES TO FORCE A COMPROMISE PERCENTAGE INTO THE NEGOTIATION. FRG GAVE TACIT SUPPORT TO SUCH EFFORTS BY BELGIANS, DUTCH AND OTHERS.

US REP (CAMPBELL) RESTATED BASIC US POSITION, URGED COMMITTEE TO AGREE TO AN IMMEDIATE TARE IFB WITHOUT CONSTRAINTS, AND POINTED OUT THAT ACTION NOW COULD SAVE SEVERAL MONTHS. HE ALSO INDICATED THAT US COULD PROBABLY AGREE TO INCLUDE A 20 PCT FIGURE AS INDICATION OF MINIMUM PERCENTAGE REQUIRED. INSTEAD OF ENGAGING IN SUBSTANTIVE AND SERIOUS DISCUSSION OF NEED FOR EARLY TARE IFB, COMMITTEE SEIZED ON 20 PCT AS HANDLE FOR CONSIDERATION OF HIGHER COMPROMISE FIGURES. US REP FINALLY FORCED TO DECLINE FURTHER DISCUSSION ON BASIS THAT COMMITTEE HAD SET OUT TO AGREE EARLY RELEASE AND HAD NOT BEEN ABLE TO DO SO. IN INFORMAL RECORD, COMMITTEE NOTED THE THREE BASIC PROPOSALS WHICH EMERGED FROM THE DISCUSSION AND INVITED ALLIED REPS TO CHECK THEM WITH THEIR AUTHORITIES. TEXT FOLLOWS:

QUOTE AT ITS MEETING OF 1ST OCTOBER THE INFRASTRUCTURE COMMITTEE INVITED ALL REPRESENTATIVES TO OBTAIN THE POSITION OF THEIR AUTHORITIES ON THE FOLLOWING OPTIONS:

(A) AGREE TO RELEASE THE TARE PROJECTS BIDDING DOCUMENTS WITH A SPECIFIED CLOSING DATE AND WITH AN INDICATION TO BIDDERS THAT AT LEAST 20 PCT OF THE TOTAL CONTRACT VALUE WILL HAVE TO BE CONTRACTED FOR OUTSIDE THE BIDDERS' COUNTRY OF ORIGIN; THE FINAL PERCENTAGE TO BE COMMUNICATED TO BIDDERS AT LEAST 30 DAYS BEFORE THE BID CLOSING DATE; OR,

(B) SAME PROPOSAL BUT WITH AN INDICATION THAT THE REQUIRED PRODUCTION SHARING PERCENTAGE WILL BE APPROXIMATELY 27.5 PCT (AT THE PRESENT STAGE OF THE DISCUSSION THIS PERCENTAGE REPRESENTS ONLY THE MATHEMATICAL AVERAGE BETWEEN THE DIFFERENT POSITIONS); OR,

(C) APPROVE THE RELEASE OF THE TARE BIDDING DOCUMENTS STIPULATING THAT AS A FIRM MANDATORY REQUIREMENT BIDDERS WILL HAVE TO SPREAD AT LEAST 25 PCT OF THE TOTAL CONTRACT VALUE OUTSIDE THEIR COUNTRIES OF ORIGIN.

REPRESENTATIVES ARE REMINDED THAT THIS ITEM WILL AGAIN BE PLACED ON THE COMMITTEE'S AGENDA ON THE 15TH OCTOBER 1974 UNQUOTE.

IN WHAT APPEARS TO BE A MILD EXHORTATION, IN PO/74/138 OF 8 OCT 74 SYG LUNS BRIEFLY REPORTED ABOVE SEQUENCE OF EVENTS AND URGED ALLIED DELEGATIONS TO QUOTE GIVE FULL CONSIDERATION TO ANY PROPOSALS WHICH MIGHT EXPEDITE THE IMPLEMENTATION OF THIS VITAL CONFIDENTIAL

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PROJECT UNQUOTE.

4. COMMENT: WE BELIEVE US SHOULD CONTINUE TO PUSH FOR EARLY RELEASE OF TARE IFB EITHER WITH NO PERCENTAGE OR WITH 20 PCT STATED AS A MINIMUM REQUIREMENT. IMPORTANT MISSING LINK IN MOD OTTAWA REACTION TO SECDEF LETTER (STATE 213061, 26 SEP 74). DEPARTMENT MAY WISH TO CHECK ON EXPECTED DATE GOC REPLY. MCAULIFFE

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<< END OF DOCUMENT >>

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